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City and County of San Francisco

OFFICE OF THE CONTROLLER

CONCESSION AUDIT REPORT:

American Trans Air, Inc.

July 1, 1997 Through June 30, 2000

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Audit Number 00031

May 1, 2001

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
AUDITS DIVISION

Edward Harrington
Controller

Matthew H. Hymel
Chief Assistant Controller

May 1, 2001

Audit Number: 00031

San Francisco Airport Commission
San Francisco International Airport
San Francisco, CA 94128

President and Members:

The Controller's Audits Division presents its report concerning the audit of American Trans Air, Inc. (American Trans Air). American Trans Air has an operating permit with the Airport Commission of the City and County of San Francisco to use the landing field facilities at the San Francisco International Airport for its air transportation business.

Reporting Period: July 1, 1997 through June 30, 2000

Landing Fees Paid: $1,447,330

Results:

American Trans Air did not correctly report 133 landings and underpaid its landing fees to the Airport Department (Airport). American Trans Air owes the Airport $77,672 in additional landing fees, and $17,355 in late payment charges.

American Trans Air's response is attached to this report. The Controller's Audits Division will be working with the Airport to follow up every six months on the status of the recommendations.

Respectfully submitted,

NORIAKI HIRASUNA
Director

INTRODUCTION

American Trans Air, Inc. (American Trans Air) has an operating permit with the Airport Commission (Commission) of the City and County of San Francisco to use the landing facilities at the San Francisco International Airport (SFO) for its air transportation business. American Trans Air entered into this operating permit on June 13, 1987. The operating permit continues until revoked or mutually terminated. The operating permit requires American Trans Air to submit to the Airport Department (Airport) a monthly report showing American Trans Air's actual revenue aircraft landings by type of aircraft and other landing data necessary to calculate the landing fees.

The Airport charges American Trans Air a landing fee based on the maximum landing weight of aircraft making revenue landings at SFO. For every 1,000 pounds of aircraft landed, the Commission sets a fee that it may change annually. For the period we reviewed, the Commission set a fee of $1.300 for fiscal year 1997-98, $1.465 for fiscal year 1998-99, and $1.848 for fiscal year 1999-00.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if American Trans Air complied with the reporting and payment provisions of its operating permit with the Commission. To conduct the audit, we reviewed the applicable terms of the operating permit and the adequacy of American Trans Air's procedures for recording, summarizing, and reporting revenue aircraft landings. We tested on a sample basis whether American Trans Air accurately reported its revenue aircraft landings and the maximum landing weights of aircraft landed at SFO.

AUDIT RESULTS

AMERICAN TRANS AIR UNDERREPORTED SOME OF ITS AIRCRAFT LANDINGS

From July 1, 1997 through June 30, 2000, American Trans Air reported 3,697 revenue aircraft landings and paid $1,447,330 in landing fees to the Airport. The table below shows American Trans Air's reported total revenue aircraft landings and landing fees paid to the Airport.

Revenue Aircraft Landings and Fees Paid
July 1, 1997 Through June 30, 2000

	Number of Landings	Landing Fees Paid
July 1, 1997 through June 30, 1998	1,248	$414,166
July 1, 1998 through June 30, 1999	1,183	447,371
July 1, 1999 through June 30, 2000	1,266	585,793
Total	3,697	$1,447,330

However, American Trans Air made some errors in reporting the number of landings for some of its aircraft and underreported a total of 133 landings. American Trans Air reported as non-revenue landings some stop-over landings, which are landings for aircraft to refuel before proceeding to their final destination. According to the operating permit, and confirmed by the Airport property manager, stop-over landings are properly considered revenue landings and are subject to landing fees. From November 1998 through June 2000, American Trans Air reported 109 stop-over landings as non-revenue landings. Because the Airport does not charge airlines for landings reported as non-revenue landings, American Trans Air did not pay the landing fees for these landings.

For the first 16 months of the audit period, American Trans Air correctly included stop-over landings as revenue landings. According to American Trans Air's station manager, the erroneous reporting began when American Trans Air changed station managers and hired an administrative secretary, who is responsible for preparing the monthly report. According to the administrative secretary, she was unsure how to report stop-over landings and sought advice from an Airport accounting staff person. The administrative secretary stated that the accounting staff person informed her that she should report stop-over landings as non-revenue landings. Based on this information, the administrative secretary began reporting stop-over landings as non-revenue landings. In addition, American Trans Air did not report 24 landings in June and November 1999 due to clerical errors.

As a result of these errors, American Trans Air owes the Airport $77,672 in additional landing fees for the audit period. American Trans Air's permit with the Airport requires American Trans Air to pay a late payment charge of 1.5 percent for each month that it does not pay the fees when due. As of March 31, 2001, American Trans Air owes the Airport $17,355 in late payment charges for underpaying its landing fees during the audit period.

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RECOMMENDATIONS

The Airport Department should:

- Bill and collect from American Trans Air $77,672 in additional landing fees and $17,355 in late payment charges.
- Instruct American Trans Air to report stop-over landings as revenue landings.
- Require American Trans Air to review its records to identify months after June 2000, the end of our audit period, in which it erroneously reported stop-over landings as non-revenue landings, and pay any additional landing fees and related late payment charges.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Edvida Moore

RESPONSE TO THE AUDIT

AMERICAN TRANS AIR, INC.

SENT VIA FAX
415-554-7664

April 19, 2001

Mr. Ben Carlick, Audit Manager
City and County of San Francisco
Office of the Controller Audit Division
City Hall - 1 Dr. Carlton B. Goodlett Place #388
San Francisco, CA 94102-4694

Subject: Draft Audit Report of American Trans Air, Inc. Reply

After reviewing the comments that were reported I agree with the findings that some of the documented landings were not reported. However I am requesting a review by the airport of the late fees. I realize that we had incurred many management changes between the dates in question but upon seeking advice from an airport accounting staff member we reported the landings per his instructions. The landings that were not recorded were our error and I have no concerns regarding those. I do believe the late fee during the other period should be reviewed. Any consideration on this matter will be greatly appreciated. If you have any questions you may contact me at 650-877-0405 or email me at DarylMayeda@Iflyata.com.

Sincerely,

Daryl Mayeda

Daryl Mayeda
SFO Station Manager
ATA

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